

EXHIBIT ALR 1B

OVERALL COST OF CAPITAL  
Blue Granite Water Company  
**CORRECTED**

	<u>Ratios</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
<b>Debt</b>	47.09%	[A] 5.73%	[C] 2.70%
<b>Common Equity</b>	52.91%	[A] 8.65%	[B] 4.58%
	100.00%		<b>7.27%</b>

Sources:

[A] D'Ascendis's Direct Testimony, page 2, Table 1.

[B] EXHIBIT ALR 2

[C] Ratios times Cost Rate

EXHIBIT ALR 2

**COST OF EQUITY SUMMARY**  
**CORRECTED**

**Water Proxy Group (6 Companies)**

**DISCOUNTED CASH FLOW MODEL (DCF)**

Simplified, or Constant Growth DCF  
Non-Constant Growth DCF

**CAPITAL ASSET PRICING MODEL (CAPM)**

Risk-Free Rate: 3-Month Treasury Bill  
Hybrid Beta  
Forward Beta  
Risk-Free Rate: 30-Year Treasury Bond  
Hybrid Beta  
Forward Beta

**Range of Cost of Equity Results - DCF**  
**Range of Cost of Equity Results - CAPM**  
**Indicated Cost of Equity - Proxy Group**

**Blue Granite Water Company**

**Company Specific Cost of Equity**

LTM Ending 12/31/2019 (Avg. of High and Low)		12/31/2019 (Current Price)	
8.76%	[A]	8.34%	[A]
6.96%	[B]	5.72%	[C]
		7.76%	[D]
		9.59%	[D]
		8.02%	[D]
		9.68%	[D]
5.72%	to	8.76%	
7.76%		9.68%	
		8.75%	
Capital Structure Risk Adjustment		Adjusted Cost of Equity	
-0.10%	[E]	8.65%	

Sources:

- [A] EXHIBIT ALR 4, page 1  
[B] EXHIBIT ALR 4, page 3  
[C] EXHIBIT ALR 4, page 2  
[D] EXHIBIT ALR 5, page 1  
[E] Based on estimate of 0.04% change in Cost of Equity for each 1% difference in Common Equity Ratio compared to the Proxy Group (EXHIBIT ALR 1B vs EXHIBIT ALR 5, page 6).

**EXHIBIT ALR 5, page 8**

	<b>Corrected</b>	
	Rate of Return Portion of Rev requirement	Difference D'Ascendis - Rothschild
Rothschild	\$ 6,766,645.65	
D'ascendis - 10.2%	\$ 7,611,424.21	\$ 844,778.56
D'ascendis - 10.7%	\$ 7,883,770.74	\$ 1,117,125.08
Rate Base (Proposed)*	\$ 76,180,847	

\* Application of Blue Granite Water Company for Approval to Adjust its Rate Schedules and Increase Rates  
Schedule C, page 1 of 7

EXHIBIT ALR 5, page 9

**ALR RECOMMENDATION - BLUE GRANITE WATER COMPANY**  
**Overall Cost of Capital**

	<b>Capital Structure Ratios</b>	<b>Cost Rate</b>	<b>Weighted Cost Rate</b>	<b>Including Gross Up for Taxes*</b>
<b>Long-Term Debt</b>	47.09%	5.73%	2.70%	2.70%
<b>Common Equity</b>	<u>52.91%</u>	8.65%	<u>4.58%</u>	<u>6.18%</u>
	100.0%		7.27%	8.88%

$1.35 = 1/(1-.21-.05)$

Federal Income Tax Rate = 21%

South Carolina Tax Rate = 5%

EXHIBIT ALR 5, page 10

**D'ASCENDIS RECOMMENDATION - BLUE GRANITE WATER COMPANY**  
**Overall Cost of Capital**

	<b>Capital Structure Ratios</b>	<b>Cost Rate</b>	<b>Weighted Cost Rate</b>	<b>Including Gross Up for Taxes*</b>
<b>Long-Term Debt</b>	47.09%	5.73%	2.70%	2.70%
<b>Common Equity</b>	<u>52.91%</u>	<u>10.20%</u>	<u>5.40%</u>	<u>7.29%</u>
	100.0%		8.10%	9.99%

$1.35 = 1/(1-.21-.05)$

Federal Income Tax Rate = 21%

South Carolina Tax Rate = 5%

EXHIBIT ALR 5, page 11

**D/ASCENDIS RECOMMENDATION - BLUE GRANITE WATER COMPANY**  
**Overall Cost of Capital**

	<b>Capital Structure Ratios</b>	<b>Cost Rate</b>	<b>Weighted Cost Rate</b>	<b>Including Gross Up for Taxes*</b>
<b>Long-Term Debt</b>	47.09%	5.73%	2.70%	2.70%
<b>Common Equity</b>	<u>52.91%</u>	<u>10.70%</u>	<u>5.66%</u>	<u>7.65%</u>
	100.0%		8.36%	10.35%

1.35 = 1/(1-.21-.05)

Federal Income Tax Rate = 21%

South Carolina Tax Rate = 5%

Rate Base